

Editorial

REAL ESTATE ISSUES IN ASIA: AN EMERGING PARADIGM

Eddie Chi-man HUI, Guest Editor

*Department of Building and Real Estate, The Hong Kong Polytechnic University
Hung Hom Kowloon, Hong Kong, China.
Fax (852) 2764 5131, E-mail: bscmhui@polyu.edu.hk*

Asia's economies are taking off again after their crash-landing in 1997 (Hui, *et al.* 1997; Hui, 2001), though with hiccups at times, e.g. global tech slump in 2001 and SARS in 2003. Global real estate markets look robust: not just in America, Britain and Australia, but in Asia also. Though economists are now worrying that high oil prices and a slowdown in China will weigh Asia down, many Asian real estate markets, particularly China and Hong Kong, are flying high for the moment. In many western countries including America, Britain and Australia, average real estate prices stand at record levels in relation to wages and rents; so too in Asian real estate markets. For example, China's real house prices, after adjusting for inflation, have been rising at their fastest pace ever.

What makes this remarkable in Asia is that those real estate markets are vibrant (Hui, *et al.*, 2004). Their institutional settings have been changing fast. China, for example, has been transforming itself to a socialist-market economy (Hui 1999; Hui and Wong 1999; Wong, *et al.*, 2001). However, real estate economists, it seems, generally devote much less attention to Asian markets than to their Western counterparts (Hui and Chiang, 2004). That is a pity, because real estate, for example housing, is usually so much important to people of Asia. Households in these countries by and large have most of their wealth tied up with their shelter, compared to any other form of invest-

ment available. It might be for most of them the only one investment in their whole life time. Any swings in real estate prices can have much bigger effects on Asian economies than anywhere else, affecting the functioning of the entire economy. It is in all sense worth studying the real estate markets in Asia.

This Special Issue of the *International Journal of Strategic Property Management* puts together 4 excellent papers from three well-known Universities: Tsinghua University, Peking University, the Hong Kong Polytechnic University. Its aim is to disseminate and promote research in the important issues of Asian Real Estate Markets. The collection of the papers represents an emerging paradigm of Asia, with an emphasis on the up-rising Mainland China. Though not exhaustive, this issue covers topical investment and institutional issues that are specifically important in the markets. With this Special Issue, we hope that a stronger and clearer theme for Asia's real estate research can be developed over time. A brief summary of each paper is given below:

When residential properties are regarded as an investment asset, returns and risks would be the focal points for decision-making. One is able to gain a return from a property, either through periodical rental income streams, or an appreciation in property prices. In the meantime, so as any other investment tools, attention has to be paid to the risk of any possible negative movements in prices and

rents. As there are many types of investment aside of residential properties, how would property investment fare when put against other forms of investments, namely stocks? Is residential property investment a “good” investment? The paper entitled *A Comparative Study on the Investment Value of Residential Property and Stocks* by Bing Sun, Hongyu Liu, and Siqi Zheng, presents a case study on the risk and return of property investment and that of the stocks in Shanghai. This would provide some interesting insights on the performance of the property market, compared with that in the stock market.

While many view a surging house price as an investment return, some others may view such as a detriment for them to enter the property market. As leasing a flat being an alternative of purchasing one, an individual would decide, based on the figures on housing prices and rents, before making a decision. Price-rent ratio can be used as an indicator for those who intend to get a new apartment. Moreover, price bubbles can be detected through the calculation of this ratio, in order for potential buyers to see if housing price in a place is within the level it is supposed to be. When it has been a consensus that property prices in Hong Kong are out of proportions, does that mean the prices of Mainland properties are more rational? There is a study on the price-rent ratio in four major cities in Mainland China, i.e. Shanghai, Beijing, Hangzhou, and Guangzhou, in the paper *Price-rent-Ratio in China's Housing Market: Proper Interval, Measurement and an Empirical Study*, by Xie Yuelai and Liu Hongyu. A comparison is made, in terms of the price-rent ratio, between Hong Kong and the 4 cities mentioned above. This can give the readers a glance at the price level of various real estate markets to see whether price bubbles exist or not. Perhaps there would be some implications for potential homebuyers, who do not possess too much information regarding the real estate markets in the Mainland.

Aside from macroeconomic factors, supply

for public/economical housing in a sense would influence the demand for private housing, thus possibly inducing a change in the price-rent ratio suggested above. While it is good for investors to be informed of a price appreciation, it is bad for many others who simply wish to purchase a house for self-use. The problem is a vast majority of the population in the Mainland is unable to afford private housing. As a result, the Chinese Central Government has been providing economical housing for the people. The paper *Economical Housing Provision in China (1998-2002)—A Case Study of Beijing* by Meng Fan-yu, Francis Wong, Eddie Hui, and Feng Chang-chun offers a thorough report on economical housing in Beijing, which includes the problems encountered on implementation of this gigantic program. It can be somehow related to the above paper on price-rent index, because the provision of economical housing takes away some of the demand for private housing in the city, thus causing changes to the price-rent ratio in the process. Also, since the structure of economical housing is similar to the public housing scheme in Hong Kong, some of the suggestions in this paper would be helpful when similar systems are reviewed.

With the exception of market fundamentals, confidence appears to be an important topic for an individual before entering the property market. In hindsight, the reason behind the increasing demand for Mainland properties from Hong Kong citizens can be contributed by the devoid of confidence towards Hong Kong's real estate market, or its economy in general. However, it is difficult, if not impossible to quantify confidence into models intended to explore its effects on housing demand and housing prices. A paper entitled *BRE Index for The Hong Kong Residential Property Market*, by Joe Wong and Eddie Hui, introduces a newly-created BRE Index, to probe the confidence of Hong Kong citizens towards the Hong Kong residential property market. This may give a brand new idea on the effects of factors which are generally perceived as un-

countable. Also, this index can be used as a reference in future studies on investor confidence as well.

REFERENCES

- Hui, E. C. M. (1999) Marketization and Housing Finance in Shanghai, PRC. *International Journal of Property Valuation and Investment*, 2(4), p. 5–14.
- Hui, E. C. M. (2001) A Case Study of Guangzhou from In-kind Allocation to Cash Subsidy. *Journal of the Asia Pacific Economy*, 6(1), p. 47–60.
- Hui, E. C. M. and Chiang, Y. H. (2004) Institutional Aspects of Real Estate Investment and Project Appraisal, in Seabrooke, W., Kent, P. and How, H. H. H. (ed.) *International Real Estate: An Institutional Approach*, p. 173–199.
- Hui, E. C. M., Chiang, Y. H., Tang, B. (1997) Asian Real Estate Markets: Boom and Oversupply? *Journal of Financial Management of Property and Construction*, 2 (3), p. 63–75.
- Hui, E. C. M., Ho, V. S. M. and Ho, D. K. H. (2004) Land Value Capture Mechanisms in Hong Kong and Singapore: A Comparative Analysis. *Journal of Property Investment & Finance*, 22(1), p. 76–100.
- Hui, E. C. M. and Wong, K. W. (1999) Housing Reform in Guangzhou and Shenzhen, China. *Review of Urban and Regional Development Studies*, 11(2), p. 141–152.
- Wong, F. K. W., Hui, E. C. M. and Leung, B. Y. P. (2001) A Comparative Study of the Housing Reforms in the Major Cities in China: Beijing, Shanghai, Guangzhou and Shenzhen, *Journal of Financial Management of Property and Construction*, 6(2), p. 95–107.